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C O N F I D E N T I A L QUITO 000768

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TREASURY FOR STEVE GOOCH

E.O. 12958: DECL: 03/30/2017

TAGS: [ECON](#) [PGOV](#) [EC](#)

SUBJECT: PRIVATE SECTOR RESPONSE TO PERCEIVED CORREA THREAT

Classified By: Ambassador Linda Jewell. Reason: 1.4 B and D

¶1. (C) Summary. The usually fractious Ecuadorian private sector has begun to develop what could become a cohesive response to what it perceives as threats from the Correa administration. This effort, led by Guayaquil-based figures and supported by the leading business chambers, has two main elements: projecting a positive message emphasizing

democratic and economic principles, and supporting candidates for the Constituent Assembly that share their vision. End summary.

Broad Private Sector Concern about Correa

¶2. (C) A number of Ecuadorian private sector contacts have approached the Embassy and Consulate to air their concerns about President Correa's political and economic intentions. Mostly, the concerns have been heartfelt but lacked specificity. The most common theme is that Correa intends to follow Chavez's model of "21st Century Socialism" by increasing presidential control over other democratic and economic institutions, but there is great uncertainty over actual measures Correa would seek to implement. When asked, many did not have a well-formed idea of how to respond to Correa's approach or what alternative policies they would offer a populace that clearly wants change. Typical of a tradition of looking to others to do their heavy lifting, some hope and urge that the United States will take a leading role in challenging Correa's policy. We have emphasized the importance of domestic sectors working toward consensus and offering responsible alternatives as a necessary pre-condition before any international engagement can be truly effective.

Establishing a Systematic Private Sector Response

¶3. (C) Guillermo Lasso, President of the Banco de Guayaquil, on March 12 briefed the Ambassador on a systematic effort he is coordinating to develop a cohesive private sector response to the Correa administration's policy. A group that he had formed, Ecuador Libre, has worked with former El Salvadoran President Francisco Flores to analyze the risks that Correa administration might take. He stressed that the analysis was completed before Correa took office, and noted how the threats are now indeed being realized. The four threats that Ecuador Libre identified are: manipulation of democratic institutions, increased state control of the economy, promotion of violence and class hatred, and replication of

Venezuela's "comites familiares" to facilitate control at the local level.

¶4. (C) Lasso said that he had shared the analysis with the business community in meetings with the Chambers of Commerce and Industry in Quito, Guayaquil, and Cuenca. Initially the business contacts were nervous about doing anything, but one by one they called him to sign up to an effort to counter Correa's policies. Lasso said that the business community's approach is to challenge the Correa administration on key principles, and not to defend particular interests. Lasso said the key messages will stress the importance of economic, political and individual freedoms. He also said that the business community is developing "tactical fronts" to analyze developments and develop a private sector response.

¶5. (C) Lasso said that he also talked to opposition leaders Lucio Gutierrez (former president), Alvaro Noboa (presidential runner-up), and Jaime Nebot (mayor of Guayaquil), but there are real limits to working with these political leaders. Gutierrez is willing to work with the business community, but only on his terms. According to Lasso, Noboa does not understand what is going on in Ecuador. Nebot is the smartest of the three, but has chosen to frame his role as defending local Guayaquil interests (e.g., the status of the Guayaquil port), rather than seeking the mantle of leader of the national opposition to the Correa agenda.

¶6. (C) Lasso reported that the business community had launched one series of radio spots, which featured a Venezuelan voice discussing the situation in Venezuela and an Ecuadorian voice responding that she would not want the same situation to develop in Ecuador. He also cited the spot as an example of how the Correa administration will attempt to exercise control) he said that the government called up the radio stations and told them to pull the spots (although it lacked legal authority to do so) and that the company that designed and placed the spots quit out of fear.

¶7. (C) Lasso shared another example of the Correa administration's effort to exert control. He said that Lucio Gutierrez identified Lasso as a possible candidate for the Constituent Assembly, without consulting with Lasso. Following Gutierrez's announcement, Correa's chief of staff, Vinicio Alvarado, called Lasso to report that Correa did not appreciate hearing Lasso's name associated with a potential run for the constituent assembly.

¶8. (C) Lasso said that when the government learns of the private sector's efforts, it will respond with a "hard blow." He did not ask for extensive support from the Embassy, except to request that the USG echo the private sector's appeal for individual freedoms should the private sector come under fire from the government.

Positive Message, Not Confrontation

¶9. (C) In a meeting with the Ambassador on March 27, three newly elected officials of the Pichincha (i.e., Quito) Chamber of Industries (President of the Board Francisco Roldan, Vice President Diego Fernandez-Salvador, and Executive President Sebastian Borja) echoed the same themes, although they did not make any reference to an organized, Ecuador-wide business response to Correa. They said that they would seek to avoid confrontation with Correa, which would only increase his popularity. Instead, they would pursue a positive message focused on democratic and economic principles.

Principled but Provocative Ad

¶10. (U) On March 30, the Guayaquil Chamber of Commerce published an advertisement directed at Correa, entitled "No, Mr. President." The ad said that any member of the Chamber that demands respect for his or her rights is not an enemy but an Ecuadorian, and demanding liberty of association,

expression, judicial security and other basic rights is not opposition, but a way to build the country.

¶11. (C) Maria Gloria Alarcon, President of Guayaquil Chamber of Commerce, told the Ambassador on March 29 to look for the advertisement. She said the Chamber was placing the ad on Friday in hopes of provoking a strong reaction by Correa during his Saturday radio show. Alarcon said that polling shows that Ecuadorians do not like Correa's aggressive attacks, which lower his popularity. Thus the ad has the double purpose of presenting a positive message while potentially getting Correa to respond inappropriately.

Business Delegates for the Constituent Assembly

¶12. (C) Alarcon and Miguel Pena, President of the Guayaquil Chamber of Industries, told Econcouns on March 14 how the business sector plans to address Correa's call for a Constituent Assembly. (Both stressed that the information about the private sector's plans to support delegates for the Constituent Assembly should be carefully protected.)

¶13. (C) Miguel Pena said that one of his biggest challenges is to calm his nervous members and urge them to deal with the Correa administration in a rational manner. Regarding the Constituent Assembly, he said that the business community is not planning to run its own candidates but is beginning to identify candidates whom it could support.

¶14. (C) Maria Gloria Alarcon said that she views the Constituent Assembly as inevitable, and noted that an internal poll of her chamber's membership showed a surprising 68% supported the Assembly. However, she said, the business community intends to raise questions in the public mind about Correa's objectives for the Constituent Assembly) she mentioned the radio spots, and said the business community is also planning to place television ads. She echoed Pena in saying that the business community is examining candidates for the Constituent Assembly, saying that it is a careful balancing act of identifying candidates who can win votes, have the right views on constitutional changes, and are sufficiently strong to resist pressure and overtures from the Correa administration. She said that whomever business community decides to support will "have a lot of money" to support their campaign.

¶15. (C) Alarcon also said that candidates opposed to Correa's vision for the Constituent Assembly would have to win a sizeable majority, since if there were only a small majority, the Correa administration "has so much money" that it could win over a few members of the opposition. Finally, she said that the business community has talked to opposition parties, such as Noboa's Prian, Nebot's PSC, and Gutierrez's PSP. The parties currently say that they would work together with the business community, but Alarcon was skeptical that they would remain cohesive during the campaign for Constituent Assembly delegates.

¶16. (C) Alarcon asserted that Ecuador is not Venezuela, noting that Venezuela does not have a "Guayaquil" to serve as a bastion of opposition to the government's policies. In contrast, she said, Bolivia does have its "Guayaquil" (in Santa Cruz), implying that opponents of radical change in Ecuador would be able to stymie Correa's more radical agenda.

Comment

¶17. (C) Traditional leaders of the Ecuadorian business community are deeply concerned with the possible direction of the Correa administration's economic and political policies. They are also very frustrated with their limited access to the Correa administration, blocked from exercising "politics as usual" in guiding policy-making (often to advance particular rather than national interests).

¶18. (C) Ecuador's business community is as fractious as

Ecuador's political system, with divisions across industries and regions. Concern about Correa's policies seems to have pulled much of the business community together, although the number of individuals who are well informed about the effort appears to be limited given the desire to maintain confidentiality. We perceive that Guayaquil businesses may

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be more committed than those of other regions to this unified business sector response, and since the Sierra business community often defines its interests in opposition to coastal initiatives, it could be hard to maintain a national coalition. Therefore we wonder whether this alliance will hold under pressure and as the election for Constituent Assembly delegates progresses.

¶19. (C) Up to now, the business community's focus on democratic and economic principles and supporting delegates for the Constituent Assembly appears to be a responsible reaction to the uncertainty regarding the future direction of the Correa administration. Given the current weakness of the established opposition parties, systematic business support (if it actually happens) for delegates to the Constituent Assembly may be a key element in generating diverse representation in the Constituent Assembly and a broader perspective towards reforming the Constitution that balances competing interests.

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